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COMMERCIAL RELATIONS BETWEEN DEPENDENCIES AND THE GOVERNING COUNTRY.

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Commerce is in most cases the mainspring of the relationship between colonies and the governing country. Say what we may of benevolent assimilation and the government of colonies for the good of the governed, there can be no doubt that commerce has been and is the underlying motive in the acquisition and continued control of a large proportion of the world's area now known as colonies, dependencies, or protectorates. In a few cases, like our own Philippine Islands, the control of territory has been assumed as a necessary result of war waged for purposes other than territorial acquisition; but the expectation of commercial advantages, present or prospective, may be properly assigned as a leading cause for the control which a half-dozen temperate-zone nations now exercise over 25 million square miles of non-contiguous territory occupied by 500 million people, a territory lying largely within the Tropics and a people largely of habits different from those of the governing country.

This last mentioned fact, that the area controlled as colonies, dependencies, or protectorates has in most cases a climate different from that of the governing country and a people of different habits of life, suggests the primary cause of the commercial, and perhaps the political relationship which now exists. The temperate zone has found itself in need of the products of the Tropics, and at the same time the vitality resulting from climatic conditions has given to its people the vigor with which to originate and apply forms of government and methods of development not induced by the climatic conditions of the Tropics. These two conditions working together—the instinctive need of temperate zone man for tropical products, and the ability to govern and develop,—have resulted

in extending his control over a very large proportion of the tropical world. While in a few cases this control has extended to certain sections of the temperate zone, a large proportion of the area known as colonies, dependencies, or protectorates lies in the tropical world, and the interchange of articles of commerce between the governing country in the temperate zone and the governed country in the Tropics is a natural one and a natural result of the climatic relation of the two sections and peoples.

Practically all of the tropical area of the world, except that of continental America, is governed from the temperate zone, thousands of miles distant from the section over which the government is applied, and with the single exception of Canada, New Zealand, and a narrow fringe of South Australia, no temperate zone area of consequence is governed as a colony, dependency, or protectorate. These natural conditions and the interchange which comes naturally between the two climatic sections of the world—the temperate zone and the Tropics—makes commerce between the colonies located in the Tropics and the governing countries located in the temperate zone the prime element of, and factor in the relationship existing between them, and a principal cause which, perhaps unconsciously in many cases, led to the establishment of such relationship. Nations seldom take up as a mere act of philanthropy the government and development of peoples distant from them and belonging to peoples widely different from their own, while the control of non-contiguous and distant territory is a source of weakness, at least in time of war. As a result, we must look to commerce and commercial possibilities as the most important of the underlying motives which have resulted in the government of two-fifths of the world's land area containing 500 million people by countries located in other parts of the world and having in most cases a population and climatic conditions widely different from those of the governing country.

For the transportation and development of commerce international and otherwise, there have been constructed in the world's colonies nearly 100,000 miles of railroad

at a cost of several billions of dollars, much of which has been supplied from the governing country, though in most cases these investments and their final return are guaranteed by the local governments in the colonies; and this contribution of billions of dollars to transportation and consequent development of commerce in the colonies is another evidence of the importance of commerce in the inter-relationship of the governed and governing people.

The foreign, or international commerce of the great area known as colonies, dependencies, or protectorates now aggregates about four billion dollars, or about one-sixth of the international commerce of the entire world. About 45% of this four billion dollars' worth of international trade of the colonies is conducted with the governing country. In the case of imports into the colonies, about 46% is drawn from the governing country, and in the case of exports from the colonies about 42% is sent to the governing country. While these percentages hold good with reference to the grand total of commerce as a whole, or of imports and exports separately considered, the share of trade with the various countries varies greatly when individual countries and individual systems of trade and tariff relationship are considered. It is to an examination of the conditions contributing to this control or lack of control of the commerce of the colony that this study is addressed. When it is considered that the colonies, dependencies and protectorates of the world number nearly 150 and that each has its own peculiar form of government and inter-relation, commercial and otherwise, with the governing country and with other colonies belonging to that country, it is obvious that a detailed discussion of these conditions one by one is quite out of the question in the limits of a paper of this character, and that they can only be considered by great groups and general principles as applied to groups of colonies and inter-relationship with the governing country.

Several important factors enter into the question of trade relationship between the colony and the governing country, and while that of tariff regulations may be most important in determining the share of the trade which accrues to the

governing country, there are other causes, such as facilities for transportation, close financial relationship, and the presence in the colony of trade representatives from the governing country.

The world's colonies, or dependencies of whatever name, may be divided into five principal groups, those controlled, respectively, by Great Britain, France, Netherlands, Germany, and the United States. Portugal and Italy have also certain colonial areas, but not yet sufficiently developed to require consideration at the present moment; and the great Kongo country in Africa, although in fact a dependency of Belgium, is not so, at the present moment in name, and therefore need not be considered in this discussion. In the case of the British colonies trade relationship with the mother country is chiefly a result of the presence in the colony of representatives of the industries and commerce of the governing country, coupled with plentiful transportation facilities and the strongly marked trade instinct which pertains to the English people. In the case of the French colonies the control of trade has been largely accomplished through the application in both the colony and the mother country of tariffs levied upon the products of other nations, but permitting free interchange of articles of commerce between the colonies and the mother country; and this system characterizes the trade relations between the United States and a large part of its noncontiguous territory. In the case of Netherlands, the share of the trade of the colonies enjoyed by the mother country has been maintained largely through rigid control of methods of production, trade and transportation in the colony and between the colony and the governing country. In the case of Germany the commerce of the areas controlled as colonies, protectorates or dependencies is as yet small and its relation to the governing country is determined largely through the transportation facilities which that country supplies and the regulation of traffic consequent upon the semi-military methods by which these undeveloped areas are now governed, and this general rule applies also to the trade relationship of Portugal and Italy with their colonies or other dependencies, and of Belgium in its relation to the Kongo country.

Considering the great groups of colonies or dependencies controlled by the various countries, it may be said that the imports of the British colonies amount to about 1,450 million dollars annually, and that about 40% of the imports is from the mother country; while the exports amount to about 1,500 million dollars, of which about 37% is sent to the mother country. In the case of France, the imports of the colonies are about 165 million dollars per annum, of which about 64% is from the mother country, and the exports amount to 140 millions, of which 57% is sent to the governing country. In the case of the Netherlands the imports of the colonies are a little less than 100 million dollars per annum and about 75% is drawn from the governing country, while of the exports, amounting to about 120 millions, about 50% is sent to the governing country. In the case of the United States, the combined imports of the various noncontiguous areas which it governs are about 75 million dollars per annum, and the percentage supplied by the United States ranges from 80% down to 20%; while of the exports of these various areas, aggregating about 100 million dollars, about 75% is sent to the United States. Of the total imports of the world's colonies as a whole, aggregating nearly 2 billions of dollars, about 900 millions, or approximately 45%, is drawn from the mother country; and of the exports, which also aggregate nearly 2 billions, about 800 millions, or approximately 40%, is sent to the governing country.

This control of the trade of the colonies is, as already intimated, accomplished largely through tariff relationship in the countries in which the large share is drawn from the mother country. How much this fact may have been responsible for the recent expressions in Great Britain in favor of somewhat similar relations with the British colonies or with the actual legislation in her English-speaking colonies in favor of trade with the mother country, must be of course a matter of opinion. It is at least a fact that a vigorous and apparently growing sentiment has developed in Great Britain in favor of a general tariff which shall make higher rates against foreign countries than against the colonies and dependencies, and that

most of the English speaking colonies and dependencies have already enacted tariffs which give decided advantages to products of the mother country seeking to enter their markets. In the case of Canada, dutiable merchandise from the mother country is granted a reduction of one-third in the established rates of duty and this privilege is also extended to those of the British colonies which give similar tariff advantages to merchandise coming from Canada. In the case of New Zealand, the same result is obtained through a law which levies upon merchandise from foreign countries 50% more than that coming from Great Britain and the colonies. In the case of the South African Custom Union, which includes most of the British colonies and dependencies in South Africa, the tariff on British merchandise is about 20% lower than that on merchandise from foreign countries. In the case of the new Commonwealth of Australia, it is expected that the tariff laws when finally adjusted and put into operation, will give to merchandise from the United Kingdom advantages quite similar to those already in operation in Canada and New Zealand. In the other British colonies, located chiefly in the Tropics and occupied by a population different in character from that of the English speaking colonies, there are few if any cases in which the tariff offers specific advantages to merchandise from the mother country.

In the case of France, the tariff of the governing country is extended to the more important of her colonies and the door opened for a free interchange of merchandise between the colony and the mother country, except that merchandise from the colony is subject in the mother country to the same excise or internal revenue taxation that is applied to that produced at home. This tariff relationship applies in general terms to the most important of the French colonies, including Algeria, French Indo-China, and certain of the colonies on the west coast of Africa.

In the case of the Netherlands, there is no discrimination in the colonies in favor of merchandise from the mother country or in the mother country in favor of merchandise from the colonies; but the rigid methods by which the colonies

have been developed, especially those in the Orient,—methods which have excluded foreigners from ownership of real estate and practically excluded them from large enterprises of development or commerce, have retained the control of the trade chiefly in the hands of representatives of the governing country and retained for the Netherlands about 75% of the imports of her colonies, while their exports have been about equally divided between the mother country and other parts of the world.

In the case of the United States, the existing tariff has been extended to Porto Rico and the Hawaiian Islands, which are now customs districts of the United States, thus permitting absolute freedom of interchange between those islands and continental United States; and this is also true with reference to Alaska, which has been, since it developed a commerce, a customs district of the United States. All of these customs districts,—Alaska, the Hawaiian Islands, and Porto Rico—enjoy the same freedom of interchange with any part of the United States that does merchandise passing between any of the customs districts of the mainland. In the case of the Philippine Islands, merchandise therefrom entering the United States pays at present 75% of the rates of duty collected upon merchandise from foreign countries; while in the Philippine Islands, merchandise from the United States pays the same rates of duties as those collected on merchandise from foreign countries. A bill which passed the House of Representatives in the first session of the last Congress and proposed to admit free of duty all products of the Philippine Islands except sugar, rice and tobacco, which are required to pay 25% of the existing rates charged against foreign countries, and also provided that at the expiration of the 10-year period following the treaty with Spain merchandise from the United States should be admitted free of duty into the Philippine Islands, but it failed to get action in the Senate.

As a result, largely at least, of the absence of tariff duties on merchandise passing between the United States and Porto Rico, Hawaii and Alaska, a very large percentage of the

merchandise entering those various territories is from the United States, and a very large proportion of their products is sent to the United States. Of the merchandise entering Porto Rico, about 84% is from the United States, and of that entering the Hawaiian Islands, about 80%, while about 83½% of the shipments from Porto Rico and 99% of those from Hawaii are sent to the United States. In the case of the Philippine Islands, about 19% of their imports is from the United States and about 48% of the exports is to the United States.

As to the effect of these systems by which the trade of the colonies with the mother country is sought to be controlled by tariff laws.

In the case of France, the share of the imports of the colonies drawn from the mother country is now, as already indicated, about 64% and has steadily increased under the application of the system for a free interchange between the mother country and the colonies, having averaged in the period from 1887 to 1891 about 57%, in 1896, 61%, and in 1904, 64%.

In the case of the British colonies, which have given to merchandise from the mother country a tariff advantage over that from foreign countries, it is not yet possible to fully determine the effect as to the share which the mother country supplies of the imports of those colonies. In the case of Canada the system was adopted in a progressive form in 1897 and applied in the full degree of 33⅓% two years later; but an examination of the trade statistics of Canada fails to show any increase in the percentage which Great Britain supplies of the imports of that colony. On the contrary, the percentage of the imports of Canada supplied by Great Britain is less at the present time than the average in the years immediately preceding the application of the reduced tariff rate on merchandise from that country. In the case of New Zealand and the Customs Union of South Africa, the new tariff system has not been in operation a sufficient length of time to determine, or even indicate definitely its effect upon trade with the mother country. It seems doubtful, however,

from a study of the operations of the system in Canada, whether a mere reduction of $33\frac{1}{3}\%$ in the rates of duty on merchandise from the mother country is sufficient to materially change the trend of trade toward the mother country as against the nearer-by markets from which the bulk of Canada's imports are drawn, namely, those of the United States.

It seems quite apparent that the system adopted in France and the United States of an extension of the tariff of the governing country to the governed territory under whatever name has been followed by a great increase in the commercial inter-relationship between the mother country and the governed territory. Not only has there been a great increase in the share of this trade enjoyed by the governing country, but also a marked increase in the total commerce of the governed territories, due largely to the willingness of capital from the governing country to develop new industries in the governed territory to which a stable government and reliable markets are thus promised. In the case of Porto Rico the total foreign commerce has doubled in value since annexation to the United States, and in the case of the Hawaiian Islands the commercial development dates from the adoption of the reciprocity treaty which assured freedom of interchange with the United States, but shows also a marked increase since actual annexation.

Whether the system adopted by France and the United States, of extending the tariff of the governing country to the governed territory is the best that could be adopted is a question to be determined by further study and experiment. The tariffs in question were constructed with a view to conditions in manufacturing countries located in the temperate zone, and whether they are completely suited to all conditions of a non-manufacturing people located in tropical countries may be a question worthy of future consideration. Possibly further experience may suggest the advisability of constructing individual tariffs especially suited to conditions in each of these tropical communities, but continuing to provide in all cases for absolute freedom of interchange between them and the governing country.